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TRANSNATIONAL CORPORATIONS AND ISSUES RELATING TO THE ENVIRONMENT, INCLUDING THE CONTRIBUTION OF THE COMMISSION AND THE UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS TO THE WORK OF THE PREPARATORY COMMITTEE FOR THE UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT

Transnational corporations and issues relating to the environment

Report of the Secretary-General

Addendum

SUMMARY

The present addendum reports on the work of the Centre in the area of transnational corporations and environmental protection in home and host countries, particularly in developing countries. The addendum identifies five themes under which the Centre's ongoing work can be classified: (a) measures to mobilize transnational corporations to contribute to sustainable development; (b) environmentally sound technologies and products; (c) advisory assistance on environmental regulations in developing countries; (d) contribution to international environmental conventions and agreements; and (e) accounting and reporting standards for sustainable development. The addendum discusses ways in which the work of the Centre can further contribute to environmental protection in developing countries and the Centre's participation in the United Nations Conference on Environment and Development.

* E/C.10/1991/1.

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INTRODUCTION

1. The Economic and Social Council, in its resolution 1989/25, requested the United Nations Centre on Transnational Corporations to expand its ongoing work in the area of transnational corporations and environmental protection. That request was based on resolutions on environment and development adopted by the General Assembly since 1987, the year in which Our Common Future, 1/ the report of the World Commission on Environment and Development, and Environmental Perspective to the Year 2000 and Beyond were issued. 2/ Both reports attributed a major role to industry, in general, and transnational corporations, in particular, in society's move towards sustainable development.

2. In June 1990, the Committee for Programme and Co-ordination, in its deliberations on the proposed medium-term plan for the period 1992-1997, was of the view that emphasis should continue to be placed on the Centre's programme on the impact and role of transnational corporations in the context of environment and development. 3/ The Economic and Social Council, at its second regular session of 1990, adopted resolution 1990/71, section II of which deals with transnational corporations and environmental protection in developing countries. The resolution focuses on two main areas of activities: the substantial preparations for the 1992 United Nations Conference on Environment and Development as they relate to transnational corporations, and the continuation of the work authorized under Council resolution 1989/25. As both areas of activities had programmatic and budgetary implications, a statement on programme budget implications in the amount of $361,200 was made available to the Council during its deliberations.

3. Owing to the fact that a decision on the budgetary implications of the resolution could not be taken until the Advisory Committee on Administrative and Budgetary Questions (ACABQ) met in November 1990, the Centre had to delay some of the programmatic activities until after the winter of 1990. With the supplemented appropriation of $180,000 authorized in December 1990, a number of the requested activities were carried out. Others had to be reprogrammed until the biennium 1992/93.

I. MEASURES TO MOBILIZE TRANSNATIONAL CORPORATIONS TO CONTRIBUTE TO SUSTAINABLE DEVELOPMENT

4. The Economic and Social Council, in its resolution 1990/71, requested the Centre to investigate measures that could encourage and mobilize transnational corporations to protect and enhance the environment in its relationship with development. The General Assembly, in its resolution 44/228, stressed the role of large industrial enterprises, including transnational corporations, because they conduct activities in sectors that have an impact on the environment. The Assembly also stressed the need for the United Nations Conference on Environment and Development to address environmental issues in the development context with the objective of identifying strategies for concerted action to deal with major environmental issues in the socio-economic development processes of all countries.

5. In recent times, Governments, international organizations, environmental groups and industry itself have participated in a series of international meetings of which industry was called upon to phase out production and marketing practices that have a detrimental effect on the environment and perpetuate the current non-equitable pattern of development. The important role of transnational corporations with respect to sustainable development is, therefore, recognized by public and private entities alike.

6. The work of the Centre in this area has concentrated on encouraging transnational corporations to acknowledge their responsibility with regard to environmental protection and mobilizing them to act to enhance the environment while contributing to economic and social development. The Centre has sought to cooperate with other international organizations and bodies, in particular the United Nations Environment Programme (UNEP), the secretariat of the United Nations Conference on Environment and Development, the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Industrial Development Organization (UNIDO), and with non-governmental bodies.

A. Criteria for sustainable development management

7. The criteria for sustainable development management were developed by the Centre in response to the request by the Economic and Social Council in resolution 1989/25 to develop ways and means, including the elaboration of a set of criteria and operational principles, for strengthening the participation of transnational corporations in the efforts for environmental preservation and protection. The Council, in section II, paragraph 3, of resolution 1990/71 took note with appreciation of the criteria for sustainable development management. The criteria are the only attempt thus far to address directly the role of transnational corporations management in the area of environmental protection in the light of development.

8. The criteria have been presented at Globe 90, an international conference on business and the environment, held at Vancouver, Canada; the Economic Commission for Europe (ECE) regional conference on sustainable development, held at Bergen, Norway; the first session of the Preparatory Committee for the United Nations Conference on Environment and Development, held in Nairobi; a seminar on dialogue between corporations and the community, held in Washington, D.C.; a workshop on environmental education for business schools, held in Fontainebleau, France; a workshop on the responsibilities of transnational corporations in the export of hazardous technologies to Eastern Europe and developing countries, held in Luxembourg; and two environmental directorate working groups of the Organisation for Economic Co-operation and Development (OECD). Copies of the criteria were sent with the survey on corporate environmental management practices to about 1,000 transnational corporations. So far, over 5,000 copies of the criteria have been distributed.

9. As a result of these presentations and publicity, there have been numerous requests for the criteria by business people, environmental groups, universities and individuals. The criteria are available in English, French, Spanish, Russian,

Chinese and Arabic, and have also been distributed to a number of international organizations. Positive replies have been received from UNEP, the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA), the Economic and Social Commission for Asia and the Pacific (ESCAP), the Economic Commission for Africa (ECA), the United Nations Institute for Training and Research (UNITAR), the International Labour Organisation (ILO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO).

10. The criteria have received the endorsement of a number of persons prominent in the environment and development field. The Centre has prepared a new edition of the criteria together with these endorsements. The Centre is seeking extrabudgetary resources for tailoring the criteria into training material for corporate management programmes and for the creation of an environmental business ethics course. The training materials will be sent to a number of transnational corporations for evaluation. An outside evaluation team will visit the corporations to assess the usefulness of the material.

B. Survey of corporate environmental policies

11. In response to the Council's request to investigate other measures that could further mobilize transnational corporations to protect and enhance the environment in its relationship with development, the Centre prepared a survey of about 1,000 transnational corporations. The survey seeks information on the corporations' international environmental policies, programmes and procedures. Through the survey, the Centre seeks to identify the most innovative corporate environmental management practices that can contribute to environmentally sound development, particularly in developing countries. The results of the survey will be presented in two related reports: the numerical data will be analysed, where appropriate, for summary presentation; the qualitative data and supporting documents will be reviewed and extracts will be used to illustrate the most innovative international corporate environmental management systems currently in use by transnational corporations. The preliminary results of the survey will be presented to the Preparatory Committee for the United Nations Conference on Environment and Development at its third session. The Government of the Netherlands is providing extrabudgetary support for the survey.

C. Comprehensive and analytical assessment

12. In its resolution 1990/71, the Economic and Social Council requested the Executive Director of the Centre to prepare a comprehensive and analytical study, with a view to helping the Commission on Transnational Corporations make a significant and action-oriented contribution to the preparatory work of the Conference. The interim version of the report is designed to provide background analysis and research on precedents for an in-depth discussion of the specific responsibilities of transnational corporations and the measures that should be recommended in order to further mobilize and encourage them to protect and enhance the environment in relation to development. The study focuses on five main themes relating to the contribution of transnational corporations to sustainable

development, as derived from the development concerns expressed by the General Assembly in paragraph 15 of its resolution 44/228. The Commission on Transnational Corporations, as the focal point within the United Nations system for issues relating to transnational corporations, has the opportunity to recommend measures that will encourage and mobilize transnational corporations over the long term to contribute to environmental protection as it relates to development.

13. The five areas in which transnational corporations can make significant contributions to environmental protection in the light of development are the following:

(a) International agreements and law, which examines how transnational corporations can contribute to the Conference agenda and support existing relevant international policy and law and emerging international agreements and commitments by Governments on major environmental issues;

(b) The transfer of environmentally sound technology, through which transnational corporations can contribute to the development of effective modalities for favourable access to, and transfer of, environmentally sound technologies to developing countries;

(c) International environmental management, where transnational corporations can contribute to the Conference agenda by implementing strategies for global management so as to incorporate environmental concerns into the economic development process, particularly examining the state of the environment in relation to their economic activities;

(d) Equivalent levels of risk and safety for the environment, health and safety throughout the enterprise, where transnational corporations can contribute to the Conference agenda by building awareness of environmental concerns throughout the enterprise and in communities through analysis and monitoring of environmental problems, timely exchange of information and assessment and anticipation of environmental risks, accidents and emergencies;

(e) Additional supportive measures, through which transnational corporations can contribute to the Conference agenda by identifying ways and means of providing new and additional financial resources, including consideration of various funding mechanisms, which would expand expertise and technological capacity for environmental protection and environmentally sound development, particularly in developing countries.

D. Environment fund

14. With regard to the proposals and recommendations concerning the establishment of an environment fund financed by transnational corporations which would support projects in developing countries (see Council resolution 1989/25, para. 16), the Centre has begun to examine the creation of such a fund through a feasibility study (see E/C.10/1990/10). The study describes how a United Nations-affiliated financial intermediary can manage the fund, which would be financed through

(a) voluntary corporate contributions; (b) a for-profit venture capital fund; and (c) a for-profit mutual equity fund. Further work in this area is required but has been temporarily curtailed owing to budgetary constraints. The Centre, however, is closely following other new international emerging schemes for environmentally oriented project financing. These include: (a) the World Bank's new Global Environmental Facility, which will provide additional concessional funding ($300 million to $400 million per annum) to lower-income countries for environmental actions with long-term global benefits regarding climate, the ozone layer, biodiversity and international water resources; (b) the International Finance Corporation's New Environmental Initiative, aimed at investing in private ventures in developing countries that reduce waste by means of equity financing and loans without government guarantees; (c) the Nordic Environment Finance Corporation's mission to provide risk capital for joint ventures in environmental technology between Nordic and Eastern European partners (operated by the Nordic Investment Bank); (d) the European Bank for Reconstruction and Development's mandate to support and revive the economies of Central and Eastern European countries, while promoting environmentally sane and durable activities; (e) the $60 million to $100 million Environment Investment Fund, sponsored by the Overseas Private Investment Corporation and managed by Kidder Peabody and Booz Allen, which will identify, invest in and support new or expanding business enterprises that sustain natural resources and practise sound environmental management in developing countries, including Eastern Europe; and (f) the Environmental Enterprises Assistance Fund, established by Winrock International and the United States Agency for International Development, which will provide venture capital for projects promoting commercially viable renewable energy and other environmentally sound technologies in developing countries.

II. ENVIRONMENTALLY SOUND TECHNOLOGIES AND PRODUCTS

15. Since 1982, the Centre has been concerned with environmentally unsafe products and processes and has participated in the publication of the Consolidated List of Products Whose Consumption and/or Sale Have Been Banned, Withdrawn, Severely Restricted or not Approved. The Centre, in cooperation with the Department of International Economic and Social Affairs of the United Nations Secretariat, the World Health Organization (WHO) and UNEP, is proceeding with the preparation of the fifth edition of the Consolidated List, a publication regularly used by both developing countries and industry.

16. In response to the request by the Council in resolution 1989/25, paragraph 4, the Centre has prepared a feasibility study on a directory of hazardous technologies. While the work on the collection of data for the directory on hazardous technologies has been postponed until the biennium 1992/93 owing to budgetary constraints, the Centre is undertaking three sector model case-studies that will demonstrate how complete entries in the directory would appear.

17. Based on the recent request by the Council to undertake work on the transfer of environmentally sound technologies to developing countries, the Centre has initiated a study that seeks to shed light on alternative means of transferring environmentally sound technologies to developing countries at favourable terms.

The study suggests positive and constructive approaches for responding to the ideas set out in paragraph 15 (m) of General Assembly resolution 44/228. It examines the barriers to the flow of environmentally sound technologies to developing countries, the role of transnational corporations and the various mechanisms available to industry, Government and international organizations to increase the transfer of environmentally sound technologies to developing countries.

18. The study expands on the inventory of some of the more commonly acknowledged barriers by specifying in greater detail the nature of the barriers and their relative importance in obstructing the flow of transfer of environmentally sound technologies to developing countries. Such barriers can include the lack of incentives to transnational corporations for selling environmentally sound technologies in developing countries owing to small internal markets, lack of environmental laws requiring environmentally sound technologies, or insufficient demand. Another barrier, often cited by developing countries, is the higher cost of the new environmentally sound technologies as opposed to existing "polluting" technologies, the lack of sufficient financial resources to cover the incremental costs of the new technologies or the lack of aid commitment on the part of the developed countries about environmental protection and sustainable development.

19. The study also identifies a number of alternatives for facilitating the transfer of environmentally sound technologies to developing countries. Some of these can be options using new sources of global revenue, the use of market mechanisms or investment and trade agreements, the use of regulatory systems or national tax and tariff systems. The analysis of each option covers the following points: (a) a detailed description of the option; (b) examples of existing and new technologies that might be covered by it; (c) an assessment of the benefits that would result, including the existing barriers that would be reduced through the implementation of the option; (d) an assessment of disadvantages and of requirements for the option to be effective or categories of technologies for which it might be most suited; (f) an assessment of the price benefit systems that would best align with it; (g) an assessment of the impact and contribution of transnational corporations on the option; (h) available and appropriate negotiating forums and experience.

20. Three stages of results are expected out of this project. The first will be the preparation of 30 or more executive summaries evaluating alternative means of transferring environmentally sound technologies to developing countries on favourable terms. These executive summaries (10-12 pages each) will explore the strengths and limitations of each option in the light of the barriers that currently impede the flow of environmentally sound technologies to developing countries on favourable terms and in the light of comparative impacts of distribution of the benefits of environmentally sound technologies within developing countries. These executive summaries will be made available to Governments to aid them in selecting an appropriate combination of policy and economic instruments that can be considered during the preparatory process for the 1992 United Nations Conference on Environment and Development.

21. The second outcome will be the convening of a high-level meeting between executives of transnational corporations and senior officials from developing and

developed countries to review a draft text based on the executive summaries. This meeting is intended to serve as a starting point for direct discussions between Governments and transnational corporations on the appropriate role each can play in the transfer of environmentally sound technologies to developing countries on favourable terms. It is expected that the meeting will recommend a mix of policy and economic instruments which the experts, in their personal and professional capacities, consider to be a possible basis for further intergovernmental considerations.

22. In the third phase, the Secretary-General of the Conference may utilize the Centre's research to structure the ongoing consideration of this item in the United Nations system-wide plan for the Preparatory Committee meetings. The Preparatory Committee will then be able to draw upon the combined and coordinated efforts of the United Nations Centre on Transnational Corporations, the Centre on Science and Technology for Development, UNEP, UNCTAD, and other bodies doing research on specific policy aspects of the issue.

23. Some of the work on this project has been carried out with extrabudgetary support from the Government of Sweden and from the Rockefeller Foundation. The Centre has also participated in meetings on the transfer of environmentally sound technologies organized by UNEP in Canterbury, United Kingdom, by the Centre on European Policy in Brussels, and by OECD in Paris.

III. ADVISORY ASSISTANCE ON ENVIRONMENTAL REGULATIONS IN DEVELOPING COUNTRIES

24. The concept of sustainable development combines the issues of environment and development. Distinct policies and institutions can no longer cope effectively with these interlocked issues. Environmental protection and sustainable development must be an integral part of the mandates of all government agencies, international organizations and private sector bodies. Developing countries have expressed interest in having advisory assistance when revising their environmental laws and regulations and while negotiating contracts with transnational corporations that impact on their natural resources and on their environment.

A. Strengthening environmental institutions, laws and regulations

25. During the past year, the Centre has provided Guinea with technical assistance to strengthen its national management and sectoral planning capability and the restructuring of its natural resource sector. These activities included the establishment of laws, regulations and evaluations of contractual arrangements with transnational corporations exploiting natural resources in the industrial and mining sectors. In advising the Government of Papua New Guinea in the negotiation of petroleum and mining agreements, the Centre provided assistance with respect to environmental issues arising out of these agreements.

B. Transnational corporations and industrial hazards disclosure

26. The work of the Centre in this area includes the publication of a study entitled Transnational Corporations and Industrial Hazards Disclosure (ST/CTC/111). 4/ The study was prepared in response to the request of the Economic and Social Council, in its resolution 1989/25, to identify ways in which developing countries might benefit from the experience of other countries in their efforts to protect the environment in relation to the activities of industry. The study addresses what many consider to be one of the most basic principles with regard to the activities of transnational corporations in developing countries: the responsibility of transnational corporations proposing to conduct industrial activities in developing countries to gather information about foreseeable risks of the activity to health, safety and the environment and to fully disclose that information to responsible government officials and to persons who would be subjected to the risks.

27. By requiring transnational corporations to disclose risk information, developing countries would be able to hold a transnational corporation accountable for risks that exceed those permitted in its country of origin or other developed countries. Disclosure would therefore permit the developing countries that act as host for transnational corporations activities to control technological risks by referencing and applying standards of developed countries and thereby fill gaps that may currently exist in their regulatory frameworks.

28. The findings of the study can give the basis for providing technical assistance for information disclosure in developing countries. This technical assistance can sensitize developing country officials responsible for environmental protection to the existing situation with regard to disclosure requirements in developed countries and facilitate the implementation of such disclosure policies in developing countries. These disclosure requirements could apply equally to local firms, national development projects and joint public-private undertakings that conduct activities that present hazards and risks similar to those posed by transnational corporations.

29. Technical assistance to developing countries could be twofold; it could serve to educate officials about the kind of environmental information that should be disclosed to the authorities by a transnational corporation proposing to set up an operation or already operating in a developing country, and it could train them to negotiate with transnational corporations when they propose foreign investment or technology transfer so that environmental protection standards and sustainable development goals are integrated in the negotiating process.

C. Phase II of the survey of corporate environmental policies

30. In phase II, the survey of corporate environmental management will concentrate on case-studies of prototypes of various environmental management systems. The purpose of the case-studies will be to advise host developing countries about what they may expect from the most environmentally sensitive transnational corporations. Based on intensive interviews at corporate headquarters and field

work that will involve interviews with subsidiaries of the selected corporations in developing countries, the studies will try to ascertain the degree to which policies of corporate headquarters are carried out by the management of the local firms. Each management system will be developed into a separate case-study. The case-studies will also outline which national policies, laws and regulations appear to be most effective in influencing corporate environmental behaviour in developing countries.

D. Hazardous waste management

31. Management of hazardous waste is another area where the Centre can play a significant role, by assisting developing countries to manage the production, transport and disposal of wastes, especially by subsidiaries of transnational corporations in developing countries. In 1989, the Centre sponsored a regional workshop in West Africa on hazardous waste policies and programmes. In the framework of the negotiations between the European Economic Community (EEC) and the African, Caribbean and Pacific (ACP) group of countries for the Fourth Lomé Convention, the Centre provided ACP with a report on the implications of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal.

32. A great deal of international attention has been given in recent years to the problem of transport/disposal of hazardous waste from developed to developing countries; however, little attention is being paid to the management of hazardous waste produced by industry in developing countries. Although production of hazardous waste in developing countries is in many cases unavoidable and often an unwelcome companion of industrialization, developing countries can be assisted in developing ways to encourage industrial production while minimizing the production of hazardous waste and developing effective ways of safely disposing of it.

33. The first step would be to take an inventory of industry practices of both locally owned and foreign subsidiaries in the disposal of toxic and hazardous waste. This information would be analysed and the report would evaluate factual data on conditions of production, transportation and disposal of toxic and hazardous waste both domestically produced and transborder shipped. The second part of the report would provide suggestions and recommendations on the preliminary steps to be taken towards a systematic solution for dealing with hazardous and toxic wastes in the country. Finally, the report could recommend ways in which countries, relevant organizations and institutions that possess technical and financial resources can provide expertise and support for developing the necessary capabilities in developing countries to safely dispose of hazardous waste.

IV. CONTRIBUTION TO INTERNATIONAL ENVIRONMENTAL CONVENTIONS AND AGREEMENTS

34. During the recent decade, debate on the need for international environmental conventions has intensified. In the area of atmospheric protection, there is the Vienna Convention for the Protection of the Ozone Layer and the Montreal Protocol

on Substances that Deplete the Ozone Layer. A new framework convention on climate change is currently being negotiated. The Second World Climate Conference met recently to discuss the findings of the Intergovernmental Panel on Climate Change and to adopt a draft ministerial declaration on measures that need to be taken to deal with the problem of climate change. It is hoped that some major conventions will be ready for adoption at the United Nations Conference on Environment and Development.

A. Global climate change

35. The Centre has completed a study entitled Climate Change and Transnational Corporations: Analysis and Trends (ST/CTC/112) 4/ in response to the request by the Economic and Social Council, in its resolution 1989/25, to conduct an analytic study of the main sectors of activity that have adverse effects on environmental preservation. The study focuses on six transnational energy-producing and energy-consuming subsectors and concentrates on the ways in which the activities of transnational corporations in those sectors and subsectors contribute to this environmental threat. It identifies concrete steps that transnational corporations can adopt to mitigate the damage and prevent future destruction. The overall purpose of the study is to contribute to the analysis of environmental restructuring and the requirements for a sustainable economy and to provide policy makers, especially those in developing countries, with vital information about the relationship between industrial development, the role of transnational corporations and climate change.

36. The results of the study have been presented to the Preparatory Committee for the United Nations Conference on Environment and Development at its first session and to the Second World Climate Conference. The Centre can make an important contribution in this area since approximately 80 per cent of greenhouse-generating emissions from industrial sources come from sectors with a high degree of transnational corporations involvement, and targets for the reduction of greenhouse gases will necessarily involve the activities of transnational corporations.

37. Based on its work in this area, the Centre can also provide support to developing country policy makers concerning the relationship between industrial development and global warming. The success of the climate change negotiations will largely depend on a sophisticated understanding of the full range of policy implications necessary to achieve radical reductions of greenhouse gas emissions. Developing country officials, however, may be marginalized in this debate owing to their lack of information and training in this area. They will need to confront such complex questions as: (a) how will the climate change debate affect their development plans? (b) what will be the consequences of global warming on the significant industries in their economies if no national or international action is taken? (c) in preparation for negotiations, which of their industrial sectors should they concentrate on for analysis and data gathering? and (d) with respect to their country's foreign direct investment policies, what are the political and economic implications of the various provisions and targets under consideration internationally?

38. Policy makers in developing countries should be trained in ways to increase their effectiveness during intergovernmental negotiations in the area of environmental protection. They should be assisted in elaborating sustainable development policies for industrial sectors that have an impact on their domestic and global environment and on the issues relating to the restructuring of industrial sectors and investment decisions necessary to maintain their natural resources over the long term.

B. Biotechnology

39. The Preparatory Committee for the United Nations Conference on Environment and Development, at its first session, in August 1990, adopted a decision on the environmentally sound management of biotechnology. As requested by the Preparatory Committee, work is being undertaken "with a view to expediting the elaboration of basic guidelines on safety in biotechnology and facilitating the preparation of an international code of conduct". 5/ It was also requested that a report on the role of the private sector, particularly the role of transnational corporations, in promoting, applying and transferring biotechnology, be prepared for the third session of the Preparatory Committee.

40. Major transnational companies in the human and animal health care sectors and the agricultural and diagnostic sectors (i.e., major pharmaceutical and chemical companies) now dominate in biotechnology development as compared with the small biotechnology firms that sparked the biotechnology revolution. Owing to the fact that biotechnology is essentially a process rather than a product, transnational corporations have downstream production capacity, distribution and marketing networks, financial resources and flexibility that work to their advantage. Thus, the impact of the policies and practices of transnational corporations involved in biotechnology research and application will continue to grow.

41. The Centre can contribute to the environmentally sound management of biotechnology in host developing countries in the following ways: (a) examine the role of transnational corporations involved in biotechnologies in host developing countries, focusing on sectors of activity, trends in foreign direct investment, and health and environmental impacts of such investments; (b) design models on ways in which to enhance the participation of developing countries in the initiation and use of environmentally sound biotechnological inventions; (c) suggest alternative ways that would enable germ plasm donor developing countries to benefit from biotechnological inventions/plant varieties developed by transnational corporations; and (d) explore conditions for long-term investment and research and development commitments by biotechnology transnational corporations in developing countries.

C. Accident prevention and emergency responses

42. The Centre continues to participate in an advisory capacity in the work of the OECD environmental directorate and ad hoc intergovernmental working groups to develop guiding principles on accident prevention, preparedness and response. The

agreed outline for the guidelines contains a section on the responsibilities of OECD-based firms operating in non-OECD countries to maintain an equivalent level of safety in those countries.

V. ACCOUNTING AND REPORTING STANDARDS FOR SUSTAINABLE DEVELOPMENT

43. The need for sound environmental corporate accountability practices increases as the transnationalization and interdependence of environmental problems grow. The best way to meet this need is through the development of international accounting standards for environmental disclosures that will, among other things, incorporate externalities. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, at its eighth session, considered recommendations for information disclosure on corporate environmental measures (E/C.10/AC.3/1990/5). The recommendations cover information disclosure and make suggestions for standardizing environmental narratives, including both qualitative and quantitative information. As a follow-up to this work, the Centre has initiated a project on accounting and reporting standards for sustainable development. The project covers three interrelated areas. The first area comprises current practices concerning environmental information disclosure in the major accounting and reporting systems in use by transnational corporations. This component seeks to improve both information disclosure and methods of measuring environmental costs and liabilities. The second area concerns ways in which business enterprises can become more efficient in their use of natural resources and waste disposal methods and thus become better stewards of natural resources and the environment. This seeks to develop an acceptable valuation methodology for quantifying social benefits of economic activity in accordance with the principle of sustainable development, as well as a valuation methodology for determining the unrecorded social costs of non-sustainable economic activity. The third area is how to develop international comparable standards that can assure consistency in the disclosure of environmental auditing practices by transnational corporations. This seeks to set minimum standards for carrying out a public environmental performance report. In order to do that, the project will look at the needs of third-party users for environmental data; the various benefits of such public reports to the corporations; and methods to standardize public disclosure between countries. The outcome of the project will be policy formulation, research papers and technical assistance. This project is being carried out with extrabudgetary support from the Government of Sweden.

VI. CONTRIBUTIONS TO THE UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT

44. The Centre has actively participated in the preparatory process for the Conference and has held regular coordinating meetings with the Secretary-General of the Conference and his staff. In addition, Centre staff have been made available to the Secretary-General of the Conference to assist in the preparation of the documents for the Preparatory Committee. The Centre attended both the working and the ministerial sessions of the conference on sustainable development in the ECA region, held at Kampala, and that on the same subject in the ECE region, held at

Bergen, Norway. It also participated in the first session of the Preparatory Committee for the United Nations Conference on Environment and Development, held in Nairobi. It hopes to participate in and make substantive contributions to the forthcoming Preparatory Committee meetings and the associated regional conferences.

Notes

1/ World Commission on Environment and Development, Our Common Future (London, Oxford University Press, 1987).

2/ United Nations Environment Programme, Environmental Perspective to the Year 2000 and Beyond (United Nations publication, Sales No. E.88.III.D.6).

3/ A/45/16 (Part I), para. 231.

4/ To be issued as a United Nations publication.

5/ A/45/46, annex I, decision 1/17.